

## Financial Highlights

- Final dividend increased to from 4 cents per share to 4.5cents per share, payable on the 28<sup>th</sup> September 2007
- Full year dividend of 8.5 cents per share
- Profits from continuing operations \$46.0m up 107.7%
- Net tangible assets per share after tax and provision for tax on unrealized gains, 126.6c, up from 112.3c
- Dividend Reinvestment Plan continues at 2.5% discount
- Share Purchase Plan continued, allowing eligible shareholders to purchase an additional \$2,500 of shares at a discount of 2.5% to the weighted average market price

## Overview of Operations and Results

On behalf of the Board, I take pleasure in presenting the company's results for the year which ended on 30<sup>th</sup> June 2007.

The strong investment markets that have prevailed since Premium Investors first listed in November 2003 continued through to the company's balance date of 30<sup>th</sup> June 2007, allowing the Company to post a record basic earnings per share of 22.3 cents. The net tangible assets per share after provision for all taxes increased from 112.3 cents per share to 126.6 cents per share, with dividends of 8 cents per share, fully franked paid to shareholders over the period. Retained profits per share stands at 28.4 cents and provides a strong foundation for dividends in future years.

The past year has shown a significant increase in the net tangible asset backing per share. The dividend policy for Premium Investors targets a high dividend yield on assets and your Board considers it appropriate to increase the final dividend for the year ended 30<sup>th</sup> June 2007 from 4 cents per share to 4.5 cents per share. This will bring the dividend to just over 7% of the net tangible assets on an annualized basis, and when franking credits are taken into account, eligible investors are receiving an equivalent annual fixed interest yield of over 10%.

Investment conditions have been far less favourable since the balance date for this report. Problems with sub prime mortgages in the United States of America have permeated global debt and equity markets, resulting in a level of volatility not seen for some years. The Australian sharemarket has fallen by more than ten percent, the level widely recognized as being a technical correction. The full ramifications of the challenges facing the US are continuing to unfold, and high levels of market volatility going forward cannot be discounted.

The investment approach adopted by Premium Investors seeks to produce absolute returns in all stages of the market cycle by applying the diverse investment styles of specialist managers to the investment opportunities presented by Australian and international equity markets. Each of the managers appointed to the Premium Investors portfolio operates under a mandate which specifies an absolute return focus on each investment decision and provides the scope to hold up to 50% in cash where investments that do not meet the appropriate investment criteria are not available.

The Premium Investors portfolio has withstood the volatile conditions of recent months. Net Tangible Assets remained level throughout June 2007, and fell by less than one cent in July 2007. The share price fell by 0.5 cents between 1<sup>st</sup> June 2007 and 21<sup>st</sup> August 2007 despite the strong downward pressure from global markets.

The Premium Investors Dividend Reinvestment Plan remains in operation for the final dividend for the year ending 30<sup>th</sup> June 2007. Under this plan, shareholders can convert all or part of their cash dividends into further Premium Investors shares at a price determined as a 2.5% discount to the volume weighted average price over 5 trading days commencing on the date the shares first trade on an ex dividend basis.

Premium Investors introduced a Share Purchase Plan to operate in conjunction with the Dividend Reinvestment Plan. The Australian Securities and Investment Commission provides relief from requirements to publish a disclosure document or Product Disclosure Statement for listed companies who make small offers of shares to existing shareholders. Each shareholder is able to invest up to \$5,000 each year through the Share Purchase Plan and the current offer is for investors to invest up to \$2,500 at a price determined by a 2.5% discount to the volume weighted average price over the five trading days following the close of the offer. Each shareholder will be sent an application form for participation in the plan and the form must be returned to our share registry before the closing date for the plan.



Don Sharp  
Chairman